

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6397

BILL NUMBER: SB 362

NOTE PREPARED: Dec 18, 2014

BILL AMENDED:

SUBJECT: Driving Authority Permits and Learner's Permits.

FIRST AUTHOR: Sen. Broden

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 X FEDERAL

IMPACT: State

Summary of Legislation: This bill has the following provisions:

- (1) Provides for the issuance of driving authority permits, probationary driving authority permits, and driving authority learner's permits to residents of Indiana who cannot provide proof of identity and lawful status in the United States.
- (2) Provides that these permits may not be used for federal identification or for any federal purposes.
- (3) Requires that an individual who holds such a permit and operates a motor vehicle must ensure that required financial responsibility on the motor vehicle is continuously maintained in the amounts required by law.
- (4) Makes conforming amendments and removes outdated language.

Effective Date: July 1, 2015.

Summary of NET State Impact: This bill is estimated to increase one-time BMV Commission Fund expenditures to issue a new type of credential by \$15,000. The requests for credentials created in the bill would also increase fee revenue to the state. For every 800 requests for the credentials created in the bill, state revenue could increase by \$13,000. Revenue received from credential fees is distributed among several state funds. The following table illustrates the net state impact **if** 800 credential requests are received in the first year the new credentials are offered.

| Fund | Credential Redesign Expenditures (FY 2015) | Credential Fee Revenue (FY 2016) |
|-------------------------------|---|---|
| Motor Vehicle Highway Account | | \$3,100 |
| Crossroads 2000 Fund | | \$1,600 |
| BMV Technology Fund | | \$400 |
| Anti-Terrorism Programs | | \$1,000 |
| BMV Commission Fund | (\$15,000) | \$6,900 |
| Total | (\$15,000) | \$13,000 |

The total net impact on state revenue and expenditures will depend on how many individuals apply for credentials created by the bill. The net fiscal impact reported above does not include any potential (1) increases in state revenue from taxes paid on financial responsibility policies or (2) decreases in federal REAL ID compliance funding.

Explanation of State Expenditures: *Summary:* At a minimum, this bill will increase one-time BMV Commission Fund expenditures by \$15,000 in FY 2015 to issue a new license type.

Expenditures in FY 2016 and beyond would depend on (1) population growth, (2) new applicants in FY 2016 and beyond, and (3) the renewal period for credentials first issued during FY 2015. If demand for the credential in subsequent years is not substantial, it is possible the BMV could process requests for these credentials with FY 2015 staffing levels.

Additional Information: The total demand for these credentials is unknown, but expected to come from the undocumented alien population in the state. The bill could increase BMV administrative costs to (1) process and review applications for compliance with requirements contained in the bill and (2) provide a new license type.

In 2012, there were an estimated 80,000 undocumented aliens in Indiana. It is not known how many of these 80,000 individuals would (1) be old enough to operate a motor vehicle under current law or (2) would desire to obtain credentials to operate a motor vehicle under the bill.

Explanation of State Revenues: *Summary:* This bill could increase state revenue for requests of the credential created in the bill. For every 800 requests for the credentials created in the bill, fee revenue to the state could increase by \$13,000

The bill could also increase General Fund revenue by requiring individuals who hold driving permits to maintain financial responsibility.

However, certain provisions of the bill could also make the state noncompliant with federal regulations contained in the REAL ID Act. To the extent the federal Department of Homeland Security determines the state is noncompliant with the REAL ID Act, the state could be subject to loss of federal grant funding.

Additional Information:

Licensing Fees: The current fees for an operator's license and a learner's permit are included in the following table.

| Fund | Operator's License Revenue | Learner's Permit Revenue |
|-------------------------------|---------------------------------------|-------------------------------------|
| Motor Vehicle Highway Account | \$4.50 | \$0.50 |
| Crossroads 2000 Fund | \$2.50 | \$2.00 |
| BMV Technology Fund | \$0.50 | \$0.50 |
| Anti-Terrorism Fund | \$1.25 | \$1.75 |
| BMV Commission Fund | \$9.25 | \$4.75 |
| Total | \$17.50 | \$9.50 |

The number of credentials that will be requested is unknown. For every 1% of the undocumented alien population that requests these credentials, an estimated 800 credentials would be issued.

The BMV reports that 85% of annually issued credentials are operator's licenses and 15% are learner's permits. Assuming a similar distribution for every additional 800 credentials issued under the bill, the MVHA, Crossroads 2000, BMV Technology Fund, Anti-Terrorism Fund, and the BMV Commission Fund will receive additional revenue.

Federal REAL ID Act: The federal REAL ID Act requires applicants to provide documentation demonstrating they are legally present in the United States as a condition of receiving any form of state-issued identification.

The BMV reports that if the state begins issuing driving credentials to individuals who cannot prove they are lawfully present in the United States, the state could be considered noncompliant with requirements of the REAL ID Act and could be subject to loss of federal grant funds.

To date, 10 states, Puerto Rico, and Washington D.C. allow access to driver's licenses or ID cards regardless of immigration status. The following table shows reported compliance of each of these states and territories with the REAL ID act as of December 2014.

| State/Territory | REAL ID Compliance Status |
|------------------------|---|
| California | Compliant, has a renewable extension with the Department of Homeland Security |
| Colorado | Fully compliant |
| Connecticut | Fully compliant |
| District of Columbia | Compliant, has a renewable extension with the Department of Homeland Security |
| Illinois | Compliant, has a renewable extension with the Department of Homeland Security |
| Maryland | Fully compliant |
| Nevada | Compliant, has a renewable extension with the Department of Homeland Security |
| Puerto Rico | Compliant, has a renewable extension with the Department of Homeland Security |
| Rhode Island | Compliant, has a renewable extension with the Department of Homeland Security |
| Utah | Fully compliant |
| Vermont | Fully compliant |
| Washington | Noncompliant, but federal officials may continue to accept Enhanced Driver's Licenses |

Any loss of federal revenue would depend on the decision of the federal Department of Homeland Security regarding state compliance. Grant revenue the state was awarded under the REAL ID Act is included in the table below. Although these funds were awarded in past years, the state continues to draw down on these federal grant funds.

| Year | REAL ID Driver's License Security Grant Revenue |
|---------------------|--|
| FFY 2008 | \$3,149,637 |
| FFY 2009 | \$1,169,839 |
| FFY 2010 | \$1,098,276 |
| FFY 2011 | \$1,107,680 |
| 4-Year Total | \$6,525,432 |

Financial Responsibility: Domestic insurers have the option to pay taxes on insurance premiums written in the state or to pay the adjusted gross income (AGI) tax. Foreign insurers are required to pay taxes on premiums written in the state, and some foreign insurers are assessed additional retaliatory taxes. In these cases, the minimum tax rate would be 1.3% of written premiums. Revenue received from the AGI tax and

insurance premium tax is deposited in the General Fund.

If this bill results in additional insurance policies sold in the state, the General Fund could receive additional revenue, but any increase is indeterminable.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: BMV.

Local Agencies Affected:

Information Sources: Tamytha Cooper, BMV; Harold Day, BMV; Pew Hispanic Center; U.S. Department of Homeland Security; National Immigration Law Center.

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